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# SPOONER

MINES AND OILS LIMITED

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## ANNUAL REPORT

FOR THE YEAR ENDED  
JUNE 30th 1968







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# SPOONER

## MINES AND OILS LIMITED

HEAD OFFICE Suite 607,  
80 Richmond Street West,  
Toronto 1, Ontario

CALGARY OFFICE 514 Alpine Building,  
635-6th Avenue S. W.,  
Calgary, Alberta

DIRECTORS MAXWELL BRUCE, Q.C.  
V. N. HARBINSON  
A. D. HELIENS, M.C.  
R. C. KILGOUR, F.C.A.  
V. A. OILLE  
THOMAS O. OLIVER  
L. CHRISTENSEN

OFFICERS V. N. HARBINSON — *President*  
F. DALE CORMAN — *Executive Vice-President*  
THOMAS O. OLIVER — *Vice-President*  
V. A. OILLE — *Vice-President (Mining Division)*  
L. CHRISTENSEN — *Vice-President (Oil Division)*  
*Assistant Secretary*  
M. D. WARK — *Secretary*  
R. C. KILGOUR — *Treasurer*  
H. WILTON-CLARK — *Assistant Treasurer*  
KATHLEEN J. ANDERSON — *Assistant Treasurer*

TRANSFER AGENT AND REGISTRAR CROWN TRUST COMPANY TORONTO, VANCOUVER  
AND CALGARY

SHARE LISTING TORONTO STOCK EXCHANGE  
VANCOUVER STOCK EXCHANGE

ANNUAL AND SPECIAL GENERAL MEETING January 16, 1969, 3:30 p.m.  
Council Chamber, 11th Floor,  
Board of Trade Building,  
11 Adelaide St. West,  
Toronto 1, Ontario





## SPOONER MINES AND OILS LIMITED

### DIRECTORS' REPORT

To the Shareholders:

Your Directors are pleased to submit the Annual Report of your Company for the year ended June 30, 1968, together with the financial statements and Auditors' Report thereon.

Extensive exploration programs within and outside Canada were continued and augmented in 1968 as more fully set out hereunder.

#### MINING DIVISION

##### State of Maine

More than three years ago Spooner initiated an extensive minerals exploration program in the Appalachian belt in Northern Maine. In 1966 Spooner was joined by a large Canadian corporation which relinquished its participation after the first year. Spooner, however, continued and expanded the program by negotiating additional major land concessions and was subsequently joined by Humble Oil & Refining Company of Houston, Texas, on a joint venture basis involving a comprehensive regional exploration concept. Since inception of field work in late 1965, more than \$600,000 has been spent on the preparatory delineation of targets by geochemical and other modern exploration techniques on 641 square miles of mineral concessions from corporate and substantial private landowners. As previously reported at the last Spooner annual meeting, the primary objective is the discovery of large base metal orebodies amenable to bulk mining methods. The results of the work performed so far encourage further exploration.

At present, under the operating control of Humble, a thorough trenching program has begun on a molybdenum and copper target area in Piscataquis County. The trenching is being conducted within a grid 20,000 feet by 10,000 feet on which more than 4,000 geochemical samples were subjected to laboratory analysis. Core drilling is the next phase of operations in this large area. The above-mentioned area constitutes one of several targets in Northern Maine on which further exploration is considered justified in 1969 and beyond, on the basis of the cumulative data acquired during the past three years in the Attean, Shin Pond and Katahdin areas.

Under the terms of the Humble-Spooner Agreement, Humble has the right to earn a 75% interest by staged exploration expenditures of \$400,000. To September 30th Humble had earned a 50% interest. The Humble-Spooner interest in the lands is subject to the terms of the various agreements arranged with the landowners. One of the features of the Humble-Spooner Agreement is an anti-dilution arrangement whereby, after Humble earns a 75% interest, Spooner's remaining 25% is protected.

In addition to the above program, Spooner in 1968 independently carried out regional reconnaissance covering six townships in the State of Maine as well as approximately 4,200 square miles in selected areas in the State of New Hampshire. Eight new areas of interest were located in the two States. The sole location on which concentrated work was performed revealed the presence of another potentially important molybdenum target. The results of this work will be followed up in detail during the 1969 field season.



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#### **Muskox Syndicate (Victoria Island)**

This Syndicate is composed of fifteen mining and oil companies of which your Company is a participant and holds a 5.9% interest.

The Syndicate holds 1,000,000 acres by way of prospecting permits and in addition has staked approximately 2,000 mineral claims. The properties are located in the Shaler Mountains in the northwestern third of Victoria Island, Northwest Territories. A multitude of copper occurrences were discovered during the first season's work in 1968 of which a number may be important. These occurrences lie along and within a structure which is over 130 miles long and up to 30 miles wide. The rocks are late Precambrian in age and form two canoe shaped bodies in the trough of a syncline. The syncline was eroded leaving the resistant volcanics of the Natkusiak formation uplifted as mountains and the less resistant sediments slope away to the north and south. The basalts and underlying agglomerates in places attain a maximum thickness of about 1,000 feet.

The ground has to date only been subjected to reconnaissance prospecting; therefore, it is highly probable that more copper showings will be located when detailed prospecting is undertaken. The copper mineralization in this area is high in grade and consists mainly of chalcocite, bornite and native copper. A major exploration program consisting of geological and geophysical surveys followed by diamond drilling is now in the planning stage.

#### **Axel Heiberg (Sulphur)**

In 1968 your Company acquired by staking a 10% interest in 368 claims in fifteen separate

claim groups. The major interest is held by P.C.E. Explorations Ltd.

A four man geological and prospecting party supported by helicopter carried out initial field work in 1968 under the overall direction of Mr. Murray Watts.

The anhydrite diapirs of Axel Heiberg Island in the Sverdrup Basin region, Northwest Territories, are an unusual geological feature. A number of native sulphur occurrences are associated with these widespread diapirs and it is these sulphur occurrences which are of possible economic interest and which were prospected, mapped and sampled in 1968. Some of these occurrences of elemental or native sulphur exhibited the possibility of good grade and dimensions. In all probability there will also be "buried" deposits associated with both domal and anticlinal structures. The future exploratory work in search for oil and gas in the Arctic Islands and particularly within the local area will have important implications upon the economic feasibility of these sulphur occurrences, since success would provide a cheap source of fuel and a strong general impetus to vital sea transportation.

An estimate of the cost and type of a 1969 work program is in course of study and preparation.

#### **Mexico (Silver)**

The property held by the Mexican company in which your Company has a 44.5% interest is at present in the development stage. The program is continuing and some small shipments of



## Directors' Report (cont'd)

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development ore have been made. The Company is carrying on discussions with outside groups for the purpose of setting up a joint venture to operate and explore this and other properties in the State of Sonora and elsewhere in Mexico.

### Greenland

Spooner presently owns 587,000 shares both free and escrowed in New Quebec Mining and Exploration Limited out of an issued capital of 2,315,035 shares. Certain of these shares are under option as referred to in Note 3 of the auditors' report.

Exploratory work was carried out on the Greenland concessions of New Quebec in 1968. Results achieved from air and ground geophysical surveys and from prospecting encourage further exploration and the New Quebec directors are considering financing proposals for additional work in 1969, including diamond drilling, on that Company's principal concession on Disko Island. The main mineral occurrences are native iron-nickel and nickel-copper sulphides.

Apart from Disko Island, New Quebec has a number of minority interests which were acquired as a result of extensive reconnaissance prospecting carried out along the entire west Greenland coast since 1963.

Since June 30th, 1968, your Company disposed of its entire holdings in Vestgron Mines Limited at a profit of \$138,000; however, New Quebec still maintains a small minority interest in this Cominco controlled lead and zinc development.

### Other Mining Interests

The Company now retains a 50% assessable interest with the Keevil Mining Group Limited in 10 claims in the Gaspé area of Quebec. Work was deferred in 1968 on these claims, but is planned for 1969. This group of claims is a base metal prospect.

All mineral holdings in the State of Michigan have now been abandoned.

During the year a 10% interest was acquired in 80,000 net acres of sulphur permits in the Fort Vermillion area of Northern Alberta. Following photo-geologic interpretation a series of short percussion drill holes were completed for sampling purposes. Results were not encouraging and our consultants recommend that the permits be returned to the Crown.

### OIL AND GAS DIVISION

As forecast in last year's report, sales of oil and gas declined with the sale of the Company's West Provost interest.

Spooner retained its interest in other oil and gas producing properties, but with the emphasis on its mining activities in 1968, the Company only participated in one outside oil venture. This was a farmout from Imperial Oil Enterprises Ltd. to test the Gilwood Sand in the Chinchaga area of Northwestern Alberta. A well was drilled to approximately 8,900 feet, but was not commercial. A participation in a minimum two wells in the North and South Rainbow Fields of Northern Alberta to test the Keg River reef formation is planned early in 1969.



Your Company continues to hold \$300,000 Par Value Convertible Debentures of Kodiak Petroleum Ltd. This latter Company, together with two other companies, are presently negotiating a consolidation of their assets. If the necessary approvals are secured, the conversion feature of these debentures may prove to be a valuable asset, but such approvals are not assured.

#### **Arctic Oil**

Spooner owns a 2.9522% interest in 3,870,000 acres on Bathurst, Prince of Wales, Amund Ringnes and Ellef Ringnes Islands, as well as a 2.1164% interest in 160,000 acres (Bathurst Island), all in the Arctic Archipelago. The original syndicate was formed by Dominion Explorers Limited (Domex Group) and is now referred to as the Petropar Group.

Under an agreement with Panarctic Oils Limited, the above acreage was farmed out to Panarctic whereby the latter could earn a 75% interest in the said acreage by drilling a minimum of 42,000 feet of hole in five wells by December 31, 1970.

Each of the Islands referred to above would have at least one test well drilled on them.

Panarctic recently raised \$20,000,000 to finance this and other projects in the Arctic Islands where their holdings approximate 45,000,000 acres, so it is thereby indicated that a substantial proportion of their budget is earmarked for the areas in which your company is a participant.

Attention has recently been focused on the Arctic as the result of a huge oil find on the

North Slope (Prudhoe Bay) of Alaska. The Arctic Islands constitute a group of vast sedimentary basins with a potential estimated in excess of 50 billion barrels of oil and 300 trillion cubic feet of gas.

#### **Conclusions**

During the past year your Company's field of interest has been enlarged and expanded. It is planned to continue with the acquisition of new interests on favourable terms within the limits of available financial resources.

In order to facilitate further expansion and reinforcement of Spooner's international exploration activities, you are requested to consider the recommendation of the Board to increase the authorized capital from 7,500,000 common shares to 8,500,000 common shares at the forthcoming Annual and Special General Meeting.

In conclusion, the advice and support of the Directors and Consultants have done much to advance the affairs of your Company during the past year, and is gratefully acknowledged.

If you are unable to attend the Annual and Special General Meeting, notice of which is enclosed, will you please sign and return the accompanying form of proxy.

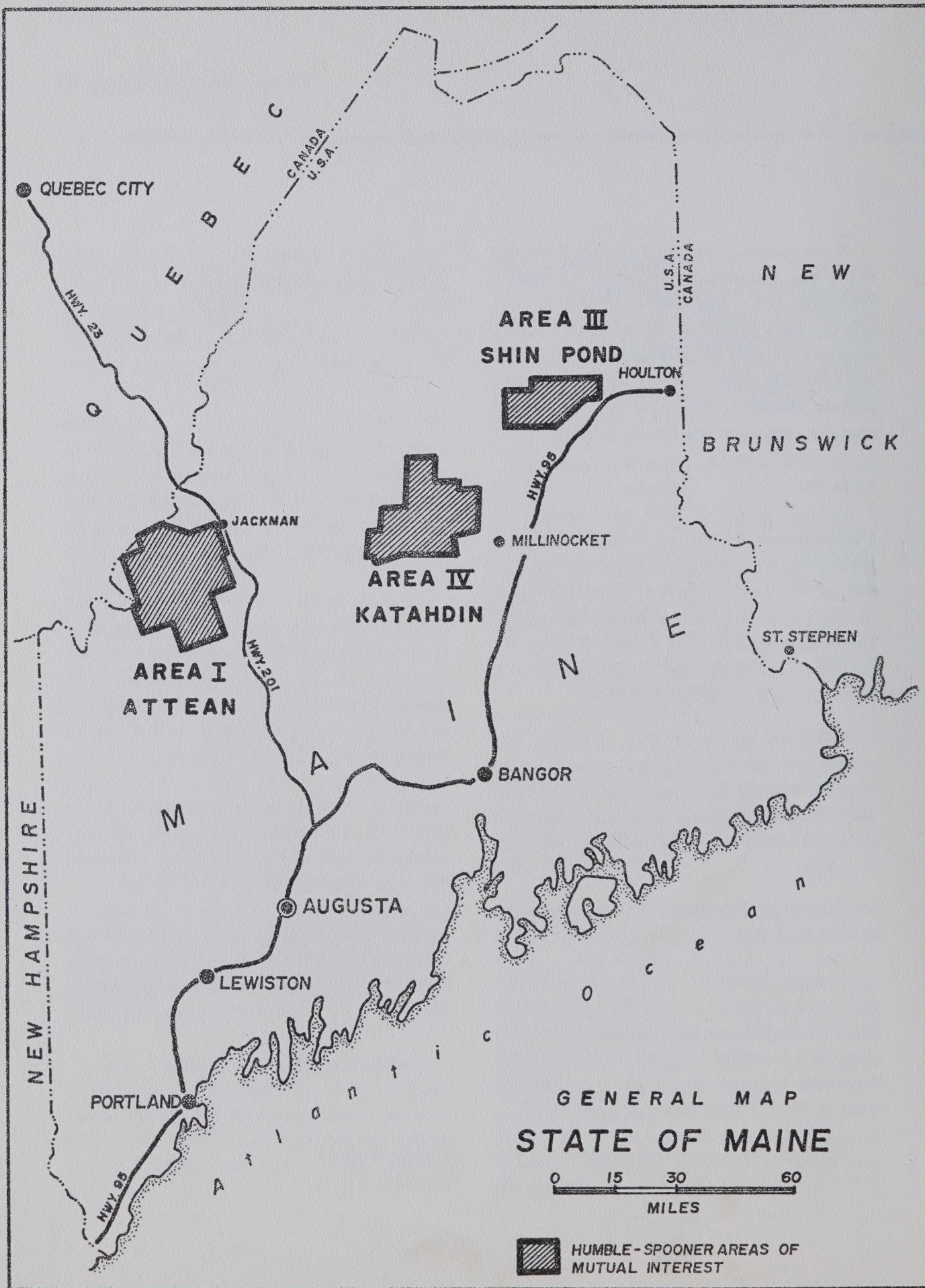
On behalf of the Board,

V. N. HARBINSON

President

Toronto, Canada,  
December 11, 1968.








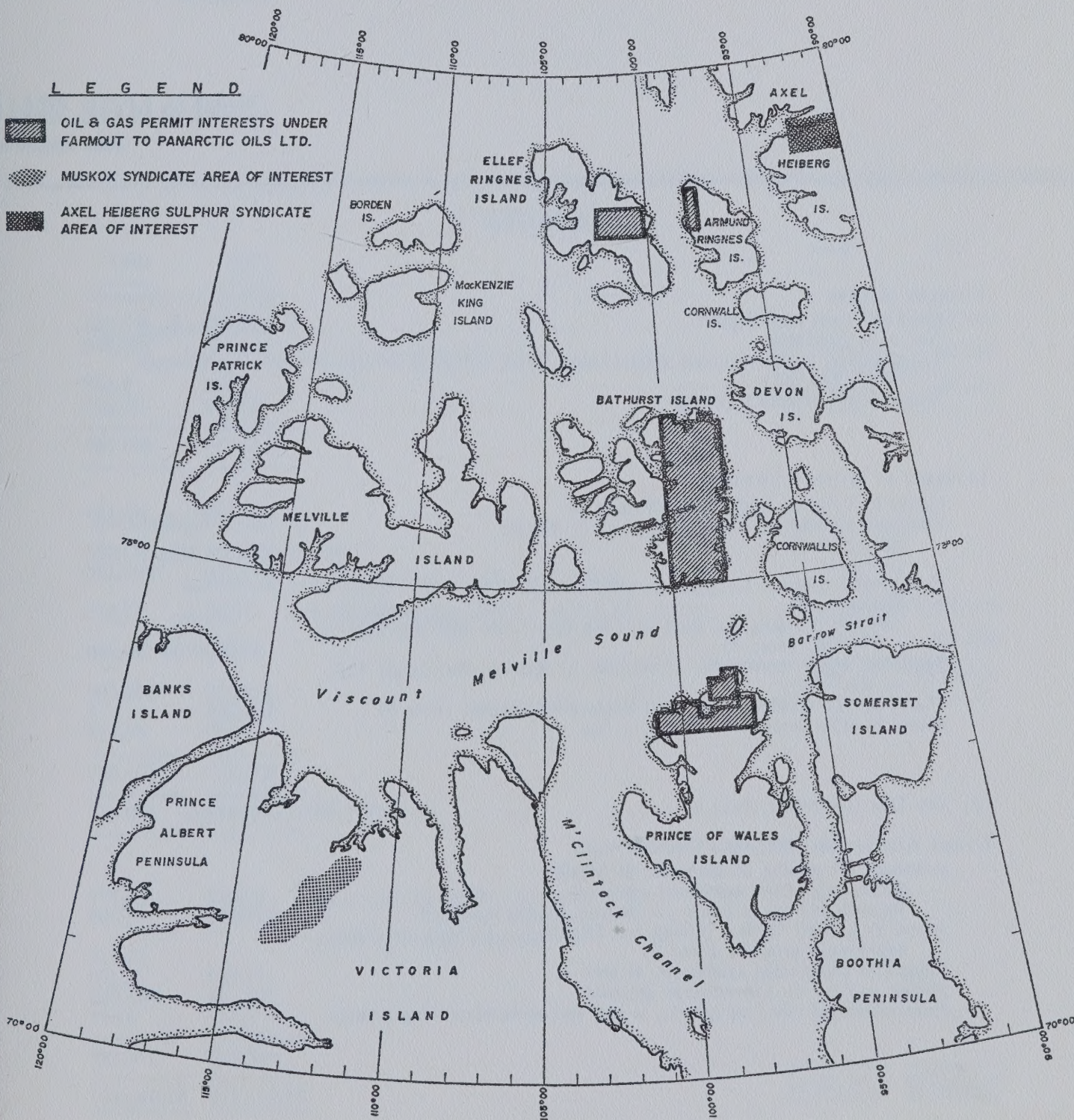


# SPoonER MINES AND OILS LIMITED INTERESTS IN ARCTIC ISLANDS

MILES 50 0 50 100 MILES  
SCALE

## LEGEND

-  OIL & GAS PERMIT INTERESTS UNDER FARMOUT TO PANARCTIC OILS LTD.
-  MUSKOCX SYNDICATE AREA OF INTEREST
-  AXEL HEIBERG SULPHUR SYNDICATE AREA OF INTEREST



December 1968

This map was prepared from information supplied by Company Office



**SPOONER MI**

(Incorporated und

**BALANCE SHEET**

(with comparative

**ASSETS**

|                                                                                                        | 1968               | 1967               |
|--------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>CURRENT ASSETS</b>                                                                                  |                    |                    |
| Cash and short term deposit .....                                                                      | \$ 154,987         | \$ 302,668         |
| Accounts receivable .....                                                                              | 58,564             | 108,558            |
| Listed shares, at cost (quoted market value, 1968, \$10,063;<br>1967, \$44,965) .....                  | 2,796              | 9,628              |
| Deposits and prepaid expenses .....                                                                    | 26,012             | 28,295             |
|                                                                                                        | <u>242,359</u>     | <u>449,149</u>     |
| <b>INTEREST IN OTHER COMPANIES</b>                                                                     |                    |                    |
| Shares in Vestgron Mines Limited (note 1) .....                                                        | 42,124             | 42,124             |
| Company controlling mining properties in Mexico                                                        |                    |                    |
| Shares, at cost .....                                                                                  | 92,638             | 92,638             |
| Advances .....                                                                                         | 273,036            | 209,126            |
| Consolidated Factors Corporation Ltd., at cost                                                         |                    |                    |
| Shares .....                                                                                           | 17,813             | 17,813             |
| \$95,000 9% note due June 30, 1968 (1967, 6% note due May 1,<br>1968) (note 2) .....                   | 95,000             | 90,250             |
| \$300,000 7½% convertible debentures of Kodiak Petroleums Ltd.,<br>at cost .....                       | 294,000            | 294,000            |
| Shares in New Quebec Mining and Exploration Limited (note 3) ....                                      | 109,266            | 1                  |
| Shares in other companies, at cost or less .....                                                       | 32,040             | 56,135             |
|                                                                                                        | <u>955,917</u>     | <u>802,087</u>     |
| <b>OIL AND GAS INTERESTS (note 4) .....</b>                                                            | <u>304,817</u>     | <u>390,450</u>     |
| <b>OTHER ASSETS AND DEFERRED EXPENDITURES</b>                                                          |                    |                    |
| Advances for mining development in Mexico                                                              |                    |                    |
| Recoverable from associated companies .....                                                            | 89,812             | 78,777             |
| Recoverable out of future profits from mining operations .....                                         | 121,097            | 74,200             |
| Advances to New Quebec Mining and Exploration Limited for mining<br>exploration program (note 3) ..... |                    | 52,871             |
| Interest in prospecting syndicates, at cost .....                                                      | 15,380             | 5,350              |
| Mining exploration expenditures deferred .....                                                         | 209,548            | 163,966            |
| Automobile and office equipment, at cost less accumulated depreciation                                 | 2,545              | 3,617              |
|                                                                                                        | <u>438,382</u>     | <u>378,781</u>     |
|                                                                                                        | <u>\$1,941,475</u> | <u>\$2,020,467</u> |



# S AND OILS LIMITED

(laws of Canada)

## JUNE 30, 1968

(at June 30, 1967)

### LIABILITIES

|                                                | 1968          | 1967           |
|------------------------------------------------|---------------|----------------|
| CURRENT LIABILITIES                            |               |                |
| Bank advances .....                            |               | \$ 386,353     |
| Accounts payable and accrued liabilities ..... | \$ 21,348     | 54,143         |
|                                                | <u>21,348</u> | <u>440,496</u> |

### SHAREHOLDERS' EQUITY

|                                                         |                  |                  |
|---------------------------------------------------------|------------------|------------------|
| Capital stock (note 6)                                  |                  |                  |
| Authorized — 7,500,000 shares without par value         |                  |                  |
| Issued — 7,173,265 shares (1967 — 6,772,265 shares) ... | 2,227,655        | 1,797,779        |
| Deduct deficit .....                                    | 307,528          | 217,808          |
|                                                         | <u>1,920,127</u> | <u>1,579,971</u> |

Approved by the Board:

V. N. HARBINSON, Director.

T. O. OLIVER, Director.

|                    |                    |
|--------------------|--------------------|
| <u>\$1,941,475</u> | <u>\$2,020,467</u> |
|--------------------|--------------------|





# SPOONER MINES AND OILS LIMITED

## STATEMENT OF INCOME

YEAR ENDED JUNE 30, 1968

(with comparative figures for the previous year)

|                                                                                                 | 1968               | 1967             |
|-------------------------------------------------------------------------------------------------|--------------------|------------------|
| INCOME                                                                                          |                    |                  |
| Oil and gas production                                                                          |                    |                  |
| Sales of crude oil and natural gas                                                              | \$ 71,334          | \$ 142,537       |
| Deduct                                                                                          |                    |                  |
| Royalties                                                                                       | 18,328             | 32,928           |
| Production expenses, including Calgary office expenses of \$20,083 in 1968 and \$17,013 in 1967 | 37,592             | 49,674           |
| Depletion of lease costs and development expenditures (note 5)                                  | 8,402              | 8,091            |
| Depreciation of production equipment (note 5)                                                   | 4,422              | 5,629            |
|                                                                                                 | <u>68,744</u>      | <u>96,322</u>    |
|                                                                                                 | 2,590              | 46,215           |
| Other income                                                                                    |                    |                  |
| Royalties received less depletion of \$305 in 1968 and \$359 in 1967                            | 1,089              | 1,309            |
| Interest earned                                                                                 | 33,168             | 22,215           |
|                                                                                                 | <u>34,257</u>      | <u>23,524</u>    |
|                                                                                                 | 36,847             | 69,739           |
| EXPENSES                                                                                        |                    |                  |
| Administrative and general                                                                      |                    |                  |
| Management and rent                                                                             | 15,550             | 13,800           |
| Legal and audit                                                                                 | 10,597             | 8,865            |
| Stock exchange listing and filing fees                                                          | 1,301              | 894              |
| Directors' fees                                                                                 | 1,000              | 1,700            |
| Share transfer expense                                                                          | 9,768              | 6,417            |
| Travel                                                                                          | 3,044              | 1,394            |
| Telephone and telegraph                                                                         | 2,213              | 1,513            |
| Bad debt expense                                                                                |                    | 648              |
| Annual meeting and financial reports                                                            | 7,504              | 5,909            |
| Other expenses                                                                                  | 2,501              | 3,992            |
|                                                                                                 | <u>53,478</u>      | <u>45,132</u>    |
| Recovery of administrative expenses                                                             | 4,375              |                  |
|                                                                                                 | 49,103             | 45,132           |
| Interest                                                                                        | 8,962              | 20,734           |
|                                                                                                 | <u>58,065</u>      | <u>65,866</u>    |
| Net income (loss) before special items                                                          | (21,218)           | 3,873            |
| Add                                                                                             |                    |                  |
| Profit on sale of interest in West Provost Gas Unit                                             | 6,922              | 252,577          |
| Profit on sale of securities                                                                    | 27,145             | 13,921           |
|                                                                                                 | <u>12,849</u>      | <u>270,371</u>   |
| Deduct                                                                                          |                    |                  |
| Unproductive oil and gas lease costs and development expenditures written off                   | 81,572             | 157,242          |
| General exploration written off                                                                 | 5,017              | 15,864           |
| Commission on sale of capital stock                                                             | 6,480              |                  |
| Cost of release from commitment (note 6)                                                        | 9,500              |                  |
|                                                                                                 | <u>102,569</u>     | <u>173,106</u>   |
| Net income (loss) for the year and special items (note 7)                                       | <u>\$ (89,720)</u> | <u>\$ 97,265</u> |





## SPOONER MINES AND OILS LIMITED

### STATEMENT OF DEFICIT

YEAR ENDED JUNE 30, 1968  
(with comparative figures for the previous year)

|                                                        | 1968              | 1967              |
|--------------------------------------------------------|-------------------|-------------------|
| Balance at beginning of year .....                     | \$ 217,808        | \$ 315,073        |
| Net income (loss) for the year and special items ..... | (89,720)          | 97,265            |
| Balance at end of year .....                           | <u>\$ 307,528</u> | <u>\$ 217,808</u> |

### STATEMENT OF MINING EXPLORATION EXPENDITURES DEFERRED

YEAR ENDED JUNE 30, 1968  
(with comparative figures for the previous year)

|                                                                          | 1968              | 1967              |
|--------------------------------------------------------------------------|-------------------|-------------------|
| State of Maine, U.S.A. (note 8)                                          |                   |                   |
| Wages, supplies, travel, accommodation and other field work .....        | \$ 67,389         | \$ 105,104        |
| Taxes .....                                                              | 10,223            | 14,441            |
| Diamond drilling .....                                                   |                   | 23,264            |
| Property options and leases .....                                        | 22,136            |                   |
| Geophysical survey .....                                                 |                   | 14,762            |
| Consulting fees .....                                                    | 9,750             | 9,640             |
| Travel .....                                                             | 2,926             | 7,337             |
| Miscellaneous .....                                                      | 194               | 1,806             |
|                                                                          | <u>112,618</u>    | <u>176,354</u>    |
| Deduct recovery of portion of expenses from participating mining company | 42,423            | 65,768            |
|                                                                          | <u>70,195</u>     | <u>110,586</u>    |
| State of New Hampshire — 100% interest                                   |                   |                   |
| Geophysical survey .....                                                 | 2,645             |                   |
| Gaspe area — 45% interest (1967, 25% interest) (note 3)                  |                   |                   |
| Geophysical survey .....                                                 | 1,617             | 2,655             |
| Greenland — 25% interest (note 3)                                        |                   |                   |
| Field work .....                                                         |                   | 25,184            |
| State of Michigan, U.S.A. — 50% interest (note 3)                        |                   |                   |
| Field work .....                                                         |                   | 2,278             |
| General exploration .....                                                | 5,017             | 15,864            |
|                                                                          | <u>79,474</u>     | <u>156,567</u>    |
| Balance deferred at beginning of year .....                              | 163,966           | 23,263            |
|                                                                          | <u>243,440</u>    | <u>179,830</u>    |
| Deduct                                                                   |                   |                   |
| Amount written off .....                                                 | 5,017             | 15,864            |
| Amount transferred to cost of shares (note 3) .....                      | 28,875            |                   |
|                                                                          | <u>33,892</u>     | <u>15,864</u>     |
| Balance at end of year .....                                             | <u>\$ 209,548</u> | <u>\$ 163,966</u> |





# SPOONER MINES AND OILS LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED JUNE 30, 1968

(with comparative figures for the previous year)

| SOURCE OF FUNDS                                                                                       | 1968              | 1967                |
|-------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| Operations                                                                                            |                   |                     |
| Net income before special items .....                                                                 |                   | \$ 3,873            |
| Add depletion and depreciation not requiring current outlay of funds .....                            |                   | 14,993              |
|                                                                                                       |                   | <u>18,866</u>       |
| Issue of shares of capital stock for cash .....                                                       | \$ 420,376        |                     |
| Sale of interest in West Provost Gas Unit, less cost of sale .....                                    | 47,767            | 905,129             |
| Profit on sale of listed shares .....                                                                 | 21,131            | 14,520              |
| Sale of shares and notes of other companies .....                                                     | 100,344           |                     |
| Cost of advances, exploration and shares transferred on exchange of assets (note 3) .....             | 109,265           |                     |
| Sale of production equipment .....                                                                    | 6,243             |                     |
|                                                                                                       | <u>705,126</u>    | <u>938,515</u>      |
| APPLICATION OF FUNDS                                                                                  |                   |                     |
| Operations                                                                                            |                   |                     |
| Loss before special items .....                                                                       | 21,218            |                     |
| Deduct depletion and depreciation not requiring current outlay of funds .....                         | 13,937            |                     |
|                                                                                                       | <u>7,281</u>      |                     |
| Oil and gas interests                                                                                 |                   |                     |
| Lease acquisition costs .....                                                                         | 17,552            | 32,626              |
| Development expenditures .....                                                                        | 32,104            | 58,560              |
| Production equipment .....                                                                            | 4,911             | 19,396              |
| Royalty interests .....                                                                               |                   | 1,177               |
|                                                                                                       | <u>54,567</u>     | <u>111,759</u>      |
| Advances for mining development in Mexico including portion recoverable from other participants ..... | 121,842           | 171,488             |
| Purchase of shares, debentures and notes of other companies .....                                     | 95,000            | 367,219             |
| Shares in New Quebec Mining and Exploration Limited acquired on exchange of assets (note 3) .....     | 109,265           |                     |
| Mining exploration expenditures .....                                                                 | 79,474            | 156,567             |
| Interest in prospecting syndicate .....                                                               | 10,030            |                     |
| Advances to associated company for mining exploration program .....                                   | 7,503             | 52,871              |
| Commission on sale of capital stock .....                                                             | 6,480             |                     |
| Reduction in non-current portion of bank loan .....                                                   |                   | 310,000             |
| Other items .....                                                                                     | 1,326             | 942                 |
|                                                                                                       | <u>492,768</u>    | <u>1,170,846</u>    |
| Increase (decrease) in working capital .....                                                          | <u>\$ 212,358</u> | <u>\$ (232,331)</u> |





## SPoonER MINES AND OILS LIMITED

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1968

1. VESTGRON MINES LIMITED

Subsequent to the date of the balance sheet, shares in Vestgron Mines Limited carried at cost of \$42,124 were sold for \$180,168.

2. CONSOLIDATED FACTORS CORPORATION LIMITED

The \$95,000 note receivable from Consolidated Factors Corporation Limited was due on June 30, 1968 but was not presented for payment as the funds were not required for current operations and as the note bears interest at 9% after maturity date until paid.

3. NEW QUEBEC MINING AND EXPLORATION LIMITED

During the year ended June 30, 1968, the company exchanged advances receivable from New Quebec Mining and Exploration Limited, interests in mining exploration in Greenland and the State of Michigan and certain shares of other companies, for 107,000 free shares of New Quebec Mining and Exploration Limited and a further 20% interest in certain mining properties in the Gaspé area of the Province of Quebec. In addition, 480,000 escrowed shares of New Quebec Mining and Exploration Limited were held at June 30, 1968 and June 30, 1967 and are carried in the accounts at a nominal value of \$1.

By an agreement dated May 16, 1968, the company has granted an option to an officer of New Quebec Mining and Exploration Limited to purchase the 107,000 free shares of that company at \$1 per share at the rate of \$10,000 per month commencing on or before December 31, 1968. Provided this option is exercised in full, the company has granted a further option to purchase 250,000 escrowed shares of New Quebec Mining and Exploration Limited at 10¢ per share exercisable within 90 days after payment in full for the 107,000 free shares.

|                                                      | June 30,<br>1968  | June 30,<br>1967  |
|------------------------------------------------------|-------------------|-------------------|
| 4. OIL AND GAS INTERESTS                             |                   |                   |
| Oil and gas leases, at cost                          | \$ 87,286         | \$ 149,748        |
| Development expenditures deferred                    | 218,452           | 225,409           |
| Production equipment, at cost                        | 161,542           | 169,448           |
|                                                      | 467,280           | 544,605           |
| Less depletion and accumulated depreciation (note 5) | 250,649           | 242,498           |
|                                                      | 216,631           | 302,107           |
| Royalty interests, at cost less depletion            | 38,930            | 39,235            |
| Participation in Arctic oil exploration at cost      | 49,256            | 49,108            |
|                                                      | <u>\$ 304,817</u> | <u>\$ 390,450</u> |



## 5. DEPLETION AND DEPRECIATION

Where oil and gas reserve figures are available depletion has been provided on the unit of production method at rates calculated to amortize the lease costs and development expenditures in the proportion production bears to estimated reserves of oil and gas. Where reserve figures are not available amortization has been determined arbitrarily.

Depreciation of equipment has been provided as follows:

|                                                                                                           | Year ended June 30 |                 |
|-----------------------------------------------------------------------------------------------------------|--------------------|-----------------|
|                                                                                                           | 1968               | 1967            |
| Production equipment — 10% of cost on the straight line method . . . . .                                  | \$ 4,422           | \$ 5,629        |
| Automobile and office equipment — 30% and 20% respectively on the<br>diminishing balance method . . . . . | 808                | 914             |
|                                                                                                           | <u>\$ 5,230</u>    | <u>\$ 6,543</u> |

Unproductive oil and gas lease costs and applicable deferred development expenditures are written off when it is determined that the lease area is of no further interest to the company.

## 6. CAPITAL STOCK

During the year ended June 30, 1968, the company issued shares of its capital stock, as follows:

|                                                                                                              |                   |
|--------------------------------------------------------------------------------------------------------------|-------------------|
| 391,000 shares for cash . . . . .                                                                            | \$ 420,375        |
| 10,000 shares for a release from certain commitments in con-<br>nection with Michigan mining lands . . . . . | 9,500             |
| <u>401,000 shares . . . . .</u>                                                                              | <u>\$ 429,875</u> |

The company has granted options to employees on 32,500 shares at \$1.74 per share and 15,000 shares at 80¢ per share expiring in 1978. Subsequent to the date of the balance sheet, options have been exercised on 15,000 shares at \$1.74 and 13,500 shares at 80¢.

## 7. INCOME TAXES

No income taxes are payable for 1968 due to the loss incurred. No provision for 1967 income taxes was made as the company claimed for tax purposes costs of oil and gas interests, mining exploration expenditures and depreciation in excess of the amounts charged to income in the accounts. Income taxes for 1967 would otherwise have amounted to approximately \$33,000. The total of costs and expenditures deferred in the accounts at June 30, 1968 is approximately equal to amounts remaining to be claimed for tax purposes in future years.

## 8. DEFERRED EXPLORATION — STATE OF MAINE, U.S.A.

Pursuant to an agreement dated January 1, 1968, Humble Oil & Refining Company agreed to undertake a program of exploration on certain mining lands in Maine, U.S.A. in which the company has exploration and mining interests. At September 30, 1968 approximately \$205,000 had been expended on this exploration program and Humble had thereby earned a 50% interest in the company's interests. Humble is to receive a further 25% interest if it expends a total of \$400,000 on the exploration program on or before December 31, 1971.

If either Humble or the company acquires additional property interests in this area on or before December 31, 1971, it shall offer to assign to the other party an interest in the acquired property. The interest so assigned shall be in proportion to the interests set out in the preceding paragraph and the consideration shall be the same proportion of acquisition costs.

## 9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers of the company, including the five highest paid employees (as defined by the Ontario Corporations Act), amounted to \$20,261 for the year ended June 30, 1968, and \$24,410 for the year ended June 30, 1967.



## AUDITORS' REPORT

To the Shareholders of  
Spooner Mines and Oils Limited

We have examined the balance sheet of Spooner Mines and Oils Limited as at June 30, 1968 and the statements of income, deficit, mining exploration expenditures deferred and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Chartered Accountants

Toronto, Canada  
November 7, 1968











